



U.S.-Korea Free Trade Agreement

What's At Stake for Tree Nuts?

August 2010

The U.S.-Korea Free Trade Agreement (KORUS FTA) will provide America's farmers, ranchers, food processors, and the businesses they support with improved access to the Republic of Korea's 49 million consumers. If approved by Congress, this would be the most economically significant trade agreement for the U.S. agricultural sector in more than 15 years.

Under this agreement, more than 60 percent of U.S. agricultural exports will become duty free immediately. Lower tariffs benefit both U.S. suppliers and Korea's consumers. The KORUS FTA will help the United States compete against Korea's other major agriculture suppliers and help keep the United States on a level playing field with Korea's current free trade partners, such as Chile, and any future FTA partners.

In October 2009, Korea finalized its FTA with the European Union. Korea has FTAs in place with Chile, India, and the 10-country ASEAN group, and is negotiating new FTAs with Canada, Australia, New Zealand, and China. Most of these countries are U.S. competitors. Should the United States not implement the KORUS FTA, the U.S. share of Korea's total agricultural imports, which stood at nearly 30 percent in 2009, could steadily erode.

Almonds

With the Agreement...

U.S. exporters will benefit from both shelled and in-shell almonds becoming duty free upon implementation of the agreement.

The Trade Situation...

In 2009, Korea was the 11th largest market for U.S. shelled and in-shell almonds. From 2007 through 2009, U.S. suppliers shipped an annual average of 8,511 tons of almonds valued at nearly \$40 million. Sales doubled from 2004 to 2009. The United States is one of the only suppliers of almonds to Korea with virtually 100 percent of the import market.

The Current Market Access Situation...

U.S. shelled and in-shell almonds are currently subject to an applied tariff of 8 percent. In 2006, Korea established an autonomous tariff-rate quota (TRQ) for almonds of 5,300 tons. The in-quota rate is 5 percent while the out-of-quota rate remains at 8 percent. While the applied rate for almonds has been 8 percent for a number of years, Korea's global World Trade Organization (WTO) bound duties are 21 percent for shelled almonds and 45 percent for in-shell almonds. The FTA will prevent the arbitrary imposition of the higher tariffs should Korea decide to protect domestic nut industries (such as walnuts).

Pistachios

With the Agreement...

U.S. exporters will benefit from pistachios becoming duty free upon implementation of the agreement.

The Trade Situation...

Sales are strengthening after several flat years. From 2007 to 2009, U.S. suppliers shipped an annual average of 474 tons of pistachios valued at \$2.2 million. The United States is the top supplier of Korea's import market with 78-percent market share in 2009.

The Current Market Access Situation...

U.S. pistachios are currently subject to applied tariffs of 30 percent. However, Korea's WTO bound duty is 45 percent. As with almonds, without the FTA, Korea could impose the higher tariff should it decide to protect domestic nut industries.

Walnuts

With the Agreement...

U.S. exporters will benefit from shelled walnuts (current tariff 30 percent) becoming duty free within 6 years. U.S. exporters of in-shell walnuts (current tariff 45 percent) will benefit from duty-free access for their goods within 15 years.

The Trade Situation...

Korea is the seventh largest market for U.S. shelled walnuts. From 2007 through 2009, U.S. suppliers shipped an average of 7,048 tons of shelled walnuts valued at almost \$42 million. Sales have been trending upward. U.S. exports of in-shell walnuts from 2006 through 2008 were 235 tons valued at \$650,000. These exports of in-shell walnuts took place after phytosanitary issues were resolved that had kept U.S. product out of the Korean market. Nearly 100 percent of Korea's import market is for shelled walnuts. Vietnam supplied 0.3% of shelled walnuts to Korea in 2009. Since the resolution on phytosanitary issues, the U.S. share of Korea's import market for in-shell walnuts rose to 42 percent in 2008.

The Current Market Access Situation...

U.S. shelled and in-shell walnuts are currently subject to applied and bound tariff rates of 30 percent and 45 percent, respectively.

USDA is an equal opportunity provider, employer and lender. To file a complaint of discrimination, write: USDA, Director, Office of Civil Rights, 1400 Independence Avenue, SW, Washington, DC 20250-9410 or call (800) 795-3272 (voice), or (202) 720-6382 (TDD).